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## WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 9.25.2009

### MESSAGING RESOURCES/POLLING UPDATE

**Efficient, Competitive Financial Markets Need Uniform Rules.** Our financial markets are the most dynamic and competitive in the world. Having uniform, consistent and national laws has allowed our markets to flourish, resulting in increased access to credit for consumers. The CFPB discussion draft released by Chairman Frank on 9/25 will undermine our national financial marketplace by creating a patchwork of laws that will vary from state to state. This will result in higher fees for consumers and limit their access to credit.

**Consumer Protection Can Be Enhanced Without The Creation Of A Massive New Bureaucracy.** By bifurcating consumer protection from safety and soundness supervision, the Chairman's discussion draft will create an environment for regulatory uncertainty when conflicts arise between the regulators. Instead of creating a massive new bureaucracy, consumer protection can be strengthened by streamlining the functions of the four banking regulators into one unified regulator.

**Washington Bureaucrats Should Not Be Empowered To Write Their Own Rules.** The Chairman's discussion draft gives unprecedented authority to Washington bureaucrats to write and enforce the rules that go beyond those provided by existing statutory authority. Congress should not be delegating its statutory authority to unelected bureaucrats.

### Polling Update

**Rasmussen: "36% Say Stimulus Plan Has Helped Economy...** Confidence in the \$787-billion economic stimulus package approved by Congress in February has reached a new high. Thirty-six percent (36%) of likely voters now say the package has helped the economy, according to the latest Rasmussen Reports national telephone survey."

### LESSONS LEARNED THIS WEEK

**Obama's Economic Advisors Disagree On Bailout Authority.**

• When asked to commit to a no-bailout policy, Sec. Geithner refused: "I would just say we had a test of the proposition that you can solve a crisis by hoping it's going to burn itself out, and you saw how deeply damaging it was to the country as a whole. So you can't fix the system, make it more stable in the future, by hoping and promising that you're going to -- how should I say it?...Abolish the fire station or block the doors of the fire station when the crisis breaks out. It's not a strategy that works."

• When asked about limiting bailout authority to \$1 trillion, Sec. Geithner responded: "... it's important to make people understand and make sure people understand the following thing: This Congress put in law after the S&L crisis a very important authority to allow for resolution -- not a great word...I would not support. I would not support proposals that would put this country in the position we were in in 2007 and '08, where we did not have the ability to act to protect the [system]."

• Paul Volcker Warns Against Using Taxpayer Dollars To Bailout Non-Financial Firm: "In terms of a resolution authority, which would give extraordinary authority to whatever agency is designated to control the institution, I do not think that it is desirable to provide in that same arrangement authority to lend money or provide money because that will encourage the too big to fail kind of syndrome."

"I do not think it reasonable that public money - taxpayer money - be indirectly available to support risk-prone capital market activities simply because they are housed within a commercial banking organization." (9/16/2009)

Obama's Economic Advisors Disagree On Designating "Systemically Important" Firms:

• Geithner Does Not See Dangers of Designating Financial Institutions As Systemically Important: "Identification of a firm as a Tier 1 financial holding company will not convey a government subsidy - it will be no guarantee of extraordinary governmental assistance in the event of financial distress. To the contrary, it will be a guarantee of substantially stricter supervision and regulation by the government - an intensity of government oversight that will serve as a strong disincentive for firms to become too big, complex, leveraged and interconnected."

• Volcker Raises Concerns With Expanding The Taxpayer Safety Net: "The clear implication of such designation, whether officially acknowledged or not, will be that such institutions, in whole or in part, will be sheltered by access to a

federal safety net in time of crisis; they will be broadly understood to be 'too big to fail.'

## ON THE HORIZON

Wednesday, September 30: The Full Committee will hold a hearing on the consumer financial protection agency at 10 am in room 2128 Rayburn. At 2 pm, the Capital Markets Subcommittee will convene a hearing on reforming credit rating agencies in room 2128 Rayburn.

Thursday, October 1: The Full Committee will convene a hearing with Federal Reserve Chairman Ben Bernanke regarding regulatory reform at 9 am in room 2128 Rayburn.

## WEEKEND MUST-READS

Wall Street Journal: "Battle Brews Over Unused TARP Cash ... The U.S. Treasury Department is discussing ways to keep in reserve some emergency bailout funds even if the Troubled Asset Relief Program isn't extended beyond the end of the year."

Wall Street Journal: "Fifty Eliot Spitzers ... Congress and the Treasury have been forced to peel back their financial reform ambitions, which is some cause for relief."

LA Times: "TARP funds are unlikely to be fully repaid, program's watchdog says ... The Treasury is unlikely to get back the full amount of money lent under the Troubled Asset Relief Program despite a recent spate of repayments from large banks, warned the program's watchdog."

Newsweek: "A Tale of Two Bailouts ... I found it tough to get excited about the first anniversary of the Lehman Brothers failure. That's because events in the weeks after Lehman's face-plant were more consequential, and much, much more expensive."

Wall Street Journal: "Bank Pay and the Financial Crisis ... The developed world's financial regulators and political leaders have, as one, decided what caused the financial crisis: the compensation systems used by banks to reward their employees. So the only question to be discussed at the G-20 summit that begins today in Pittsburgh is how draconian the restrictions on banker compensation should be."

Wall Street Journal: "Democrats Soften Financial Bill ... Congressional Democrats and the White House are softening some elements of the Obama administration's proposal to overhaul financial-market supervision as they begin a push to win broader support for the bill."

Wall Street Journal: "As Banks Retreat, Lawmakers Press Attack ... The U.S. banking industry's signs of retreat on certain account fees mightn't satisfy Washington lawmakers, including some who said Wednesday they are pushing ahead with broad restrictions on fee policies at banks."

Washington Examiner: "Democrats on path to repeat housing disaster ... With all the attention paid to the health care battle, ACORN, and the president's "Full Ginsburg" appearances on five Sunday talk shows, few people noticed a hearing with an exceedingly boring title -- "Proposals to Enhance the Community Reinvestment Act" -- held last week in the House Financial Services Committee."

NY Times: "White House Pares Its Financial Reform Plan ... In a step toward overhauling the nation's financial regulation, a senior Democrat on Wednesday announced a plan that preserved the core of the White House's proposal for a new consumer financial protection agency, while jettisoning a smaller though symbolically significant provision that had posed political obstacles."

Wall Street Journal: "FDIC Considers Prepaid Bank Fees ... The Federal Deposit Insurance Corp. is leaning toward asking banks to prepay future fees as a way to quickly rebuild the agency's deposit-insurance fund, people familiar with the matter said."

Wall Street Journal: "Geithner: Cannot Walk Away From Crisis Without Changes ... U.S. policy makers cannot abdicate responsibility to revamp regulation of the financial system, the flaws of which are still in place and could pose a risk if not fixed, Treasury Secretary Timothy Geithner said in testimony released Tuesday."

The Washington Post: "Frank Set to Scale Back Plans For Consumer Financial Agency ... Rep. Barney Frank said he's prepared to make key changes to the Obama administration's proposed new consumer financial protection agency in an effort to head off some the main criticisms about its power and scope."

The Washington Times: "Bank lobby defeats Obama reform plan ... Congress appears set to ignore President Obama's proposal that banks be required to offer "plain vanilla" financial products such as 30-year fixed-rate mortgages, giving the banking industry an early victory in its fight with the administration over how to reform the financial-services sector."

The Washington Post: "SEC Gets Tougher With Bank of America ... The Securities and Exchange Commission said Monday that it will broaden its investigation into alleged wrongdoing at Bank of America and may seek additional charges as it prepares for a trial against the bank."

The Washington Post: "Firms Back Change in Executive Pay Practices ... A coalition of blue-chip companies on Monday endorsed the idea of voluntarily overhauling executive compensation practices in an effort to restore public confidence in corporate America and to get out ahead of potentially more burdensome rules that could emerge from Washington."

The Washington Post: "Democrats Target Bank Overdraft Charges ... A backlash is brewing on Capitol Hill against banks that charge large fees for overdrafts without asking or telling customers, the latest sign that the financial crisis is shifting the balance of power from banks toward borrowers."

## COMMITTEE REPUBLICANS IN THE NEWS

Rep. Frank Lucas penned this op-ed: 'Too big to fail' means 'too small to matter'

Rep. Scott Garrett gave this statement during a Capital Markets Subcommittee hearing on recent innovations in securitization.

Rep. Spencer Bachus gave this statement during the hearing on regulatory reform and this statement during the hearing on systemic risk.

## CARTOON OF THE WEEK

(Townhall, 9/23/2009)